

COBRA

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COBRA

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), requires PEEHIP and most other group health plans to offer employees and their families the opportunity for a temporary extension of health coverage. The continuation of coverage is offered at group rates in certain instances where coverage under PEEHIP would otherwise end.

All public education employees of the State of Alabama who are covered under the PEEHIP group health insurance have the right to choose continuation of coverage if the employee loses group health coverage due to a reduction in hours of employment or because of a resignation or termination of employment (for reasons other than gross misconduct on the part of the employee).

Each public education institution has the responsibility by law to notify the PEEHIP office immediately when an employee loses group health coverage due to the employee's:

- death
- termination of employment
- or reduction in hours

Leave of Absence

A member who goes on an authorized leave of absence without pay can continue group health coverage for up to two years of authorized leave before he or she would be required to enroll in continuation of coverage under the COBRA provisions. A member on an approved leave of absence could continue the health insurance coverage for two years and then could continue the health insurance coverage for an additional 18 months under the COBRA provisions.

COBRA Compliance

The sanctions imposed under the auspices of COBRA can be quite severe, making a determination of compliance greatly important.

If a public education institution does not notify PEEHIP of an employee's death, termination of employment, or reduction in hours, the institution can be held liable for any health insurance claims incurred by the employee or their dependents.

Any administrator who fails to meet the notice requirements may be personally liable to the employee or dependent in the amount of up to \$100.00 a day.

COBRA allows the employer a maximum of 30 days to notify PEEHIP of the above named qualifying events. The employer's immediate notification to PEEHIP will help reduce the amount of time the plan is exposed to adverse risk and potential premium increases.

Termination for Gross Misconduct

If an employer terminates an employee for *gross misconduct*, then the employer is not required to provide continuation of coverage under the provisions of COBRA. The

employer is still required to send the PEEHIP office a COBRA NOTIFICATION FORM. It is the responsibility of the employer to determine if a termination is for *gross misconduct* and to notify PEEHIP of such.

Eligibility

Under COBRA, the employee, ex-spouse or dependent family member has the responsibility to inform PEEHIP within 60 days of a divorce, legal separation, or a child losing dependent status under the Plan and must obtain a CONTINUATION OF COVERAGE APPLICATION FORM. PEEHIP may be notified by phone or in writing.

A dependent loses eligibility and coverage ends on the last day of the month in which the dependent becomes:

- age 19 or age 25 if classified as a full-time student
- married

When PEEHIP is notified of a qualifying event, PEEHIP will in turn notify the eligible member that he or she has the right to choose continuation of coverage. It is important to note that the eligible member has 60 days from the date he or she would lose coverage because of one of the qualifying events to inform PEEHIP that he or she wants continuation of coverage.

If the eligible member does not choose continuation of coverage, his or her PEEHIP group health insurance coverage will end the last day of the month in which the member becomes ineligible.

If a member and/or dependent becomes entitled to Medicare after electing COBRA coverage, he or she is no longer eligible to continue the COBRA coverage.

Continuation of Coverage

If the eligible member chooses continuation of coverage, PEEHIP is required to give the member coverage which, as of the time coverage is being provided, is identical to the coverage provided under the Plan to similarly situated employees or family members and is the same coverage he or she had prior to the qualifying event.

COBRA requires that the eligible member be afforded the opportunity to maintain continuation of coverage for 36 months unless he or she lost group health coverage because of a termination of employment or reduction in hours. In that case, the required continuation of coverage period is 18 months.

COBRA also provides that a member's continuation of coverage may be cut short for any of the following five reasons:

1. PEEHIP no longer provides group health coverage to any of its employees.
2. The premium for continuation of coverage is not paid by the member when payment is due, or the premium payment is insufficient.
3. The member becomes covered under another group health plan which does not contain any exclusions or limitations with respect to any pre-existing condition.

4. The member or dependent becomes entitled to Medicare after COBRA benefits begin.
5. The member becomes divorced from a covered employee and subsequently remarries and is covered under the new spouse's group health plan which does not contain any exclusions or limitations with respect to pre-existing conditions.

An eligible member does not have to show that he or she is insurable to choose continuation of coverage. However, under COBRA, he or she is required to pay the full monthly premium for continuation of coverage.

A COBRA NOTIFICATION FORM must be sent to the PEEHIP office when an employee resigns/terminates employment. All questions on the form must be answered. If the employee is on an authorized leave of absence, the AUTHORIZED LEAVE OF ABSENCE FORM should be used.

COBRA NOTIFICATION FORMS should **not** be sent for retiring employees who will be drawing a monthly retirement benefit from TRS.

Cobra coverage is available for 18 months for a terminated employee and their dependents and 36 months for a dependent who becomes ineligible for reasons such as aging out, non-student status, or divorce.

If a member who is on COBRA dies before the 18 months have lapsed and the member's family is covered under COBRA, the eligible covered family members can continue the COBRA coverage for up to a total of 36 months from the date of the original qualifying event.

Dependent Coverage

A spouse of an employee covered by PEEHIP has the right to choose continuation of coverage if the spouse loses group health coverage under the Plan for any of the following reasons:

- death of the employee
- termination of the employee's employment (for reasons other than gross misconduct) or reduction in the employee's hours of employment
- divorce or legal separation
- employee's eligibility for Medicare

In the case of a dependent child of an employee covered by PEEHIP, he or she has the right to continuation of coverage if group health coverage under the Plan is lost for any of the following reasons:

- death of a parent
- termination of a parent's employment (for reasons other than gross misconduct) or reduction in a parent's hours of employment with the employer
- parents' divorce or legal separation
- parent becomes eligible for Medicare
- dependent ceases to be a *dependent child* under the Plan

Specific COBRA Instructions for Employers Regarding Employees Who Terminate Employment

When to Notify PEEHIP

The employer has a maximum of 30 days from the day coverage ends to notify PEEHIP of an employee's termination, death or reduction in hours. A COBRA NOTIFICATION FORM must be completed by the employer and sent to PEEHIP for each employee who loses insurance coverage due to termination or resignation of employment or reduction in hours, even if the employee does not want to continue the coverage or is transferring allocation to spouse and coded a 4 – 4 allocation. A COBRA NOTIFICATION FORM should not be sent by the employer for employees who are returning to work.

Returning Employees

If a COBRA NOTIFICATION FORM is submitted for an employee who is rehired after having been terminated, the school should leave the employee's name on their Insurance Report or add the name back to the Report for the current school year. In addition, the system should send a *revised* COBRA NOTIFICATION FORM to PEEHIP indicating the employee has returned to work and PEEHIP will reinstate the coverage. If the system knows that one of its employees is transferring to another school system, this information should be written on the COBRA NOTIFICATION FORM. Each school system should wait until previous employees are rehired and only send COBRA NOTIFICATION FORMS on those employees who are **not** rehired.

Retiring Personnel

COBRA NOTIFICATIONS FORMS should not be sent on retiring persons who will be receiving a monthly retirement check from TRS. The FORM 10, APPLICATION FOR RETIREMENT, includes insurance information. If an employee will not be receiving retirement benefits, a COBRA NOTIFICATION FORM should be sent to PEEHIP.

3-1 Rule

A member can earn extra insurance credit under the *3-1 Rule* when he or she terminates employment. This information should be included on the COBRA NOTIFICATION FORM. The system is required to send the full insurance allocation earned under the *3-1 Rule* for all terminated employees. The *3-1 Rule* is handled in the same manner for all employees whether they are paid on a 9, 10, 11 or 12-month basis.

Terminations on Appeal

The system must submit a COBRA NOTIFICATION FORM on an employee even if he or she is appealing the termination. Insurance premium adjustments can be made after a decision is made on the employment status of the member. A letter of explanation should be submitted with the COBRA NOTIFICATION FORM.

Gross Misconduct

The **system** must determine whether or not the termination was due to gross misconduct and must indicate so on the COBRA NOTIFICATION FORM or the Form will be returned to the system.

Members on COBRA Who Return to Work

When a member who is enrolled in PEEHIP under COBRA returns to work and does not have a break in coverage, the member is not allowed to change coverage until the Open Enrollment period.

Exception: A member enrolled in one or more optional plans while on COBRA can add the remaining optional plans when he or she becomes eligible for a full allocation. However, employees enrolled in one or more optional plans while on COBRA **cannot enroll** in a Hospital Medical plan until Open Enrollment.